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BRISA'S TAKEOVER OFFER

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This project is composed by a Case Study regarding Tagus' takeover offer for Brisa. The case study describes each player involved in the operation: the target company – Brisa, the acquirers – José de Mello and Arcus; as well as the circumstances surrounding the takeover, with a description of the takeover itself and the conflict between the acquirers and Abertis.

Associated to the case, there is a group of six question and their respective answers, regarding the motive of the takeover, the price per share, what should be the positions of Brisa's shareholders regarding the takeover and the reason Brisa's share price declined after the success of the operation.

KEYWORDS: Takeover, Infrastructure Concessionaire, Cash Flows

BRISA'S TAKEOVER OFFER

On March 29th 2012, Tagus Holdings launched a 680 million euros takeover offer for Brisa – Auto-Estradas de Portugal, the largest road concessionaire in Portugal and one of the largest in Europe.

Tagus Holdings is jointly owned by the two largest shareholders of Brisa, the Portuguese family group – José de Mello and the British infrastructure fund – Arcus; which wanted to obtain the complete control of the target company. However, in the middle of their plan stood Brisa's third largest shareholder - Abertis, the Spanish infrastructure concessionaire and a long-time nemesis of José de Mello and Arcus.

The big question around this takeover was where this was the final battle for Brisa's control or was just one more episode in the struggle between Abertis and the coalition composed by José de Mello and Arcus.

THE TARGET – BRISA

Brisa – Auto-Estradas de Portugal was created in 1972 as a private concessionaire for the construction, conservation and exploration of the country's highway network (A1 – Lisbon/Oporto, A2 – Lisbon/Setúbal, A3 – Oporto/Famalicão and A5 – Lisbon/Cascais), with a total of 382 km, 59 of which already built and that would be included once the adjacent sections where finished (**Exhibit 1**). However, soon after the company foundation the military coup of 1974 occurred, which despite barely affecting the company operations, affected its shareholder composition. Due to the nationalization in 1975 of the Portuguese financial sector, 27.5% of Brisa's capital was now indirectly owned by the Government. Moreover, in the following years the Government entered directly in Brisa's capital through capital raises, therefore obtaining the control of the majority of the capital and consequently of the company.

After 1986, the Portuguese government decided to expand the national highway network using the funds the country started to receive from the European Economic Community. As a consequence, Brisa won new concessions and expanded the existing ones. By the end of the decade Brisa had more than 200km of highway already opened.

The 1990's were an extremely successful decade for Brisa. In 1991 Brisa achieved its first major milestone by completing the highway between Lisbon and Oporto – A1, ending the construction almost 20 years after the initial concession contract was signed. In 1995 Brisa launched a new electronic toll payment system called "Via Verde". This new service allowed its subscribers to be directly charged in their bank accounts for the toll fare, which allowed a faster and more comfortable journey. Via Verde won in 1994 (during the test phase) the Tool Innovation Award from the International Bridge Tunnel and Turnpike Association as a recognition of the quality and innovation of the service.

In 1997 the Portuguese Government decided to re-privatize Brisa by selling its position in the company through an IPO. The Government directly owned 89.7% of the company's capital and owned more 10% indirectly through stated owned enterprises. Brisa's IPO was on November 25th and the government sold 35% of the company capital at a price of €2.42 per share. The remaining stated owned shares were sold in three different occasions until June 2001. (**Exhibit 2 and 3**).

In the new millennium Brisa continued its expansion, however the main focus was in the international markets. In Portugal, Brisa achieved an integrated highway network of 1000 km, after the opening of the last sections of A2 (Lisbon – Albufeira). As a result, Brisa´s highways connected Portugal from North to South and East to West. Additionally, Brisa expanded its national activities through subsidiary companies – Brisal, through participated companies – Douro Litoral, Baixo Tejo and Litoral Centro and through the acquisition of other concessionaries such as Auto-Estradas do Atlântico, whose 50% of the capital was bought by Brisa. Simultaneously, Via Verde continued its implementation in Portugal, achieving 2 million clients in 2006, the same year it was granted another award, the IBTTA Toll Excellence Award. By the end of 2011 Via Verde achieved a total of 3 million clients in Portugal.

In 2001 Brisa expanded its activities abroad with the acquisition 20% of CCR's (Companhia de Concessões Rodoviárias), which was the largest road concessionaire in Brazil. In 2007, Brisa acquired 90% of the capital of Northwest Parkway in the United States and later in 2010 it entered the growing Indian market through a joint venture with the local Feedback Ventures establishing the Feedback Brisa Highways, and sold its CCR participation. At the same time, due to Via Verde's success and the accumulated knowledge, Brisa entered in some consortiums to operate payment systems in tolls, parking lots and other facilities, such as the KTS from Czech Republic in 2006 and the Movenience from Holland in 2010.

Between 2010 and 2011 Brisa restructured its Portuguese operations, creating Brisa Concessão Rodoviária (BCR), to control the concessions that were directly under Brisa Auto-Estradas, as well as all the associated assets and liabilities. Therefore, Brisa Auto-Estradas became a holding company (**Exhibit 4**). This reorganisation was made with the purpose of increasing the financial and investment capacity of Brisa. With the transferal of the liabilities associated with the highway concessions to BCR, the main company has seen its rating increased and consequently its cost of debt decreased. In the end of 2011, Brisa controlled several different companies divided into three sectors: highway concessions, operation and maintenance services and other business (**Exhibit 4 and 5**), accounting for a total of 6483 million euros in assets (**Exhibit 6**).

The vast majority of Brisa's highways are under the standard concession model in Portugal, which determines that the toll price or the car fare is negotiated between the government and the concessionaire, with the concessionaire bearing the associated traffic risk. Therefore, Brisa's overall risk is directly connected to traffic fluctuations in Portugal, as its concessions represented 87% of its 2011 EBITDA (**Exhibit 7**).

Brisa's concession include the most important highways in the country, with A1, A2 and A3 connecting the most important coastal cities in Portugal from North to South, with A5 and A9 – CREL, serving the metropolitan area of Lisbon and A4 the metropolitan area of Oporto. Due to their important location, these six concessions have stable traffic volumes through the years, and they are also the most used highways in the country. Together they represented 82% of Brisa's total traffic volume, in 2011 (**Exhibit 7**), reducing the overall risk level of the company.

From 2004 to 2009 Brisa's revenues from tolls and other operations increased from 573 million euros to 677 million euros (**Exhibit 8**), as a consequence of the expansion of its operations. However, in the same period, Brisa's EBIT decreased from 315 million euros to 223 million euros, which is the result of higher amortization expenses and of a decline in the company's efficiency, as its EBITDA only increased 41 million euros to 461 million euros.

In the end of 2010, Portugal was affected by the Sovereign Debt Crisis, which originated a recession in the following year and consequently reduced Brisa's toll revenues by 15 million euros to 631 million euros.

In that same year, Brisa's EBITDA was equal to 461 million euros and EBIT was equal to 267 million euros (**Exhibit 8**) although, its Net Income was equal to -82 million euros as a consequence of losses in investments.

From 2012 to 2016 Brisa's EBIT was expected to increase up to 262 million euros (**Exhibit 9**), as a result of an increase in the revenues and of an improvement in the operating margin. Consequently, the Net Income was expected to increase to 173 million euros, fostered by the reoccurrence of financial gains in investments. Although, in 2012 Brisa's revenues were expected to decrease by 2.16% as a consequence of the austerity measures taken under the Economic Adjustment Programme and the associated economic depression. In the following years, Brisa's revenue were expected to recover.

THE ACQUIRERS

JOSÉ DE MELLO GROUP

José de Mello Group (José de Mello) was founded in 1986 by José Manuel de Mello with the purpose to recover part of the family companies that were nationalized in the aftermath of the military coup of 1974.

The Mello's family business activities started in the 1890's when Alfredo da Silva a shareholder of the bankrupt bank – Banco Lusitano, managed to acquire most of the bank's debt and subsequently save it. At the same time, he also saved two of the bank's borrowers – Companhia Aliança Fabril and Companhia União Fabril merging them in Companhia União Fabril – CUF.

The CUF project was the most ambitious and successful industrial project in Portugal. This success resulted from Alfredo da Silva's capacity to benefit from the opportunities provided by a rural and agricultural country to an industrial conglomerate. Therefore, CUF grew throughout the years and constantly expanded itself into new business activities.

In 1942, the Mello family inherited Alfredo da Silva's empire, as a result of the marriage of his daughter – Amélia de Oliveira da Silva with D. Manuel José de Mello, son of the Earl of Cartaxo.

Despite the constant search of new profitable business, the Mello family also supported the social development of society and consequently CUF created several canteens, kindergartens, libraries, hospitals, schools, among other social equipment's. Therefore, CUF and the Mello family where ahead of their time for Portugal, as they already practice what today we call corporate social responsibility.

CUF achieved its peak during the 1970's, as it was the largest conglomerate in the Portuguese industry with its activities spread between more than 100 companies with 110 thousand employees operating in several different business sectors, such as textile, mining, food, health, dockyard, and the financial sector, among others. As a result, by 1974 CUF represented 5% of the Portuguese GDP and was the frontline of the country's industrial development, with activities spread throughout the Portuguese oversees colonies, such as Angola, Mozambique and Guinea-Bissau.

In that same year, Portugal suffered a military coup to install a democracy, which leaded the country into a turbulent period with the communist and the democratic forces trying to establish their own type of regime. As a consequence, the financial sector and the largest and vital companies in Portugal were nationalized in 1975 and their owners were arrested and later sent to exile. Due to its importance CUF was one of the main targets and after the nationalization it was dismantled.

In the second half on the 1980's Portugal had a stable new democratic regime and consequently it was able to join the European Economic Community, which leaded to the privatization of the nationalized companies. The Mello family returned to Portugal, with the two male grandsons of Alfredo da Silva creating two different groups. One of them, José Manuel de Mello, established its holding company – José de Mello - with the purpose of recovering the family legacy. Soon after the return, the group acquired Uniteca, re-entering in the chemical industry, one of the main business sectors where CUF was present. In 1988, the José de Mello Group obtained a trading license which originated the stock brokerage "M Valores". In that same year, it also acquired the first privatized financial institution – Sociedade Financeira Portuguesa, later converted into a bank named Banco Mello. With the succession of re-privatizations, José de Mello acquired one of CUF's main assets, the insurance company “Companhia de Seguros Império” and consequently its hospital - Hospital CUF.

By the end of the 1990’s, José Manuel de Mello was following the steps of its grandfather as he was present in the industrial and financial sector at the same time, benefiting from the accumulated knowledge of the family. In 1997 the group re-established the brand CUF in the chemical sector. Two years later, in 1999, the group’s financial sector (Banco Mello e Companhia de Seguros Império) were merged into the BCP group. Consequently, José de Mello became an important shareholder of the largest private financial group in Portugal.

In the beginning of the new millennium, the group focused its activities on the most profitable and attractive business, re-adjusting its operations and portfolio. The two main examples of this strategy were the increase in Brisa’s capital up to 30% and the joint takeover offer with the Têxtil Manuel Gonçalves for Efacec, the largest manufacturer of high voltage components in Portugal, which gave José de Mello 50% of its capital. Moreover, the group expanded some of its business such as its health care division by opening new hospitals and CUF’s chemical operations, both under the brand CUF.

By the end of 2011, the José de Mello Group had a total of 3483 million euros in assets (**Exhibit 10)**. The group was constituted by 4 fully owned companies: José de Mello Residências e Serviços (elderly care and services); José de Mello Saúde (hospitals and other health care facilities); José de Mello Imobiliária (real estate) and CUF (chemical and industrial business). Furthermore the group had 50% of Efacec’s capital and 30% of Brisa, as well as other minority positions in other companies. In that same year, the group revenues were worth 1078 million euros, which leaded to an operating income of 12 million euros. Due to financial losses the net income was equal to -125 million (**Exhibit 11**).

ARCUS INFRASTRUCTURE PARTNERS

Arcus Infrastructure Partners is a British fund manager specialized in infrastructure investment throughout Europe. Arcus was created in 2009, in the aftermath of a management buyout of part of the European operations of the bankrupt Babcock & Brown.

Arcus team members, which had been considered among the best European infrastructure managers since the mid 1990’s, have accumulated experience in several different infrastructure segments such as seaports, rails, roads, airports, utilities and telecommunications. This experience and knowledge allows Arcus to actively manage its assets and consequently provide attractive risk adjusted returns to its investors.

By the end of 2011 Arcus only fund – Arcus European Infrastructure Fund - had more than 2 billion euros under its managements. Besides Arcus position in Brisa, it also had relevant positions in companies such as Alpha Train (Luxembourg based freight and passenger train operator), Angles Train (British freight and passenger train operator), Forth Porto (British seaport operator), Europort (European seaport operator), Shere Group (British based telecommunication tower operator) and TDF (French broadcasting infrastructure operator).

THE SPANISH THREAT

Abertis, the Spanish highway concessionaire conglomerate and one of the largest infrastructure concessionaire in the world (**Exhibit 15**), entered in Brisa’s capital in 2002 with the intention of defining the business of the later. However, throughout the years Abertis was frequently in disagreement with José the Mello over Brisa’s strategy, investments and dividends, which leaded to several struggles within Brisa’s shareholder structure.

In the beginning of 2012, after Abertis had increased its position by 0.4% to 16.31% of the voting rights (**Exhibit 12**), rumours that Abertis would launch a takeover offer for Brisa started. This possible takeover attempt represented a serious threat to José de Mello’s control over Brisa, as it did not own the majority of the voting rights of the latter. Moreover, José de Mello was highly indebted and needed Brisa's dividends to meet its debt obligations. Therefore, José de Mello needed to neutralize Abertis' takeover threat to protect its shareholder position and the continuity of the dividends.

THE TAKOVER OFFER

To maintain the control over Brisa and to guarantee the continuity of the dividends, José de Mello needed to neutralize Abertis' takeover threat. For that purpose the ownership of the majority of Brisa's voting rights was necessary, which was only possible to achieve through a takeover offer.

Moreover, José de Mello was being pressured by the largest Portuguese banks (Caixa Geral de Depósitos, Banco Espírito Santo and Millennium BCP) to launch a takeover offer for Brisa and to take it private. José de Mello had given its Brisa shares as collateral for loans, to these banks. However, the price of the shares declined since 2008 (**Exhibit 3**) and by the end of 2011 the value of the shares was not enough to serve as a guarantee to the loans. Consequently, José de Mello would have to increase the collaterals or the banks would have to raise more capital, two solutions not feasible in the middle of the crisis Portugal was facing. If Brisa was taken private the value of the collateral would be determined by the financial institutions and would not depend on the stock market, solving José de Mello's and the bank's problem.

Therefore, if José the Mello launched a takeover offer for the totality of Brisa's capital it would be able to solve its two problems at once, as well as guarantee the necessary capital, as the financial institutions pressuring the operation would finance the acquisition. Furthermore, José de Mello was able to obtain the support of Arcus, which was also dependent on Brisa's dividends and wanted to preserve its influence in the company's management.

For the purpose of launching the takeover offer for Brisa – Auto-Estradas de Portugal, José de Mello and Arcus created Tagus Holdings (55% and 45% of the capital, respectively), a vehicle through which its two shareholders would acquire Brisa's outstanding shares.

The objective of the takeover was to take Brisa private implying that Tagus, José de Mello and Arcus needed to control, together, at least 90% of the voting rights. Therefore, the offer targeted 46.20% of Brisa's outstanding shares, which corresponded to more than 255 million shares (**Exhibit 12**). The acquirer offered 2.66€ in cash for each of those stocks, implying a premium of 13.38% over the closing price of the takeover announcement day (**Exhibit 13**) and of 4.72% over the analysts median target share price (**Exhibit 14**). The 680 million euros needed to acquire the 255 million shares, would be provided by a syndicate of banks composed by Millennium Investment Bank, BESI - Espírito Santo Investment Bank and CaixaBI - Banco de Investimento.

According to Tagus, Brisa's activities would not be affected by the takeover. However, the acquirer announced that wanted to increase Brisa's efficiency by promoting a better coordination among Brisa's different operations, with the purpose of giving shareholders a higher cash flow value. Therefore, Tagus also announced that they would reduce the investment expenses to the minimum required by the concession contracts.

This takeover offer happened after the Portuguese Debt Crisis and during the subsequent Economic Adjustment Programme, which started in April of 2011. These two events deeply affected the market perception about Portugal, which at that point was seen as more risky. Hence, investors demanded a higher return to the Portuguese companies when compared to their European counterparts.

WOULD ABERTIS COUNTER ATTACK?

Tagus' takeover offer for Brisa was José de Mello's response to Abertis' threat. With this takeover José de Mello anticipated itself to the Spanish concessionaire and made the first move, which allowed it to secure Arcus' support.

In the end of March of 2012, Abertis controlled 16.31% of Brisa's voting rights (**Exhibit 12**), which put the future of Tagus' takeover in its hands. If Abertis decided to sell its shares, Tagus would not face any serious threat to its plans. On the other hand, if Abertis decided to not sell, the takeover attempt would fail as Tagus would not be able to obtain the 90% of Brisa's voting rights it needed.

As a consequence, every player in the market was questioning if Abertis would counter attack by not selling its position in Brisa, to later launch its own takeover offer and try to destroy the collation between José de Mello and Arcus.

THE AFTERMATH

Tagus' announcement of its takeover offer for Brisa was followed in the next weeks by severe critics. In the first place, financial analyst considered that the price offered by Tagus was considerably low and that it did not reflect the real situation of Brisa. Abertis and some small shareholders accused Brisa's board, which was chaired by a member of the Mello family – Vasco de Mello – and controlled by José de Mello and Arcus, of not defending the interest of all the shareholders and that its neutrality was an undercover support for the takeover. Moreover, Abertis announced that it would not sell its shares under the current price and asked the Portuguese financial market regulator – CMVM - to appoint an independent analyst to establish the share price of the offer.

Due to this situation and to avoid the failure of the takeover, Tagus decided in July to increase the price of the offer to 2.76€ per share, implying a premium of 8.66% over the analysts median target share price. With, this new offer most of the critics disappeared and the vast majority of Brisa's shareholder sold their positions in the takeover, including Abertis.

Tagus, José de Mello and Arcus owned after the takeover 84.8% of Brisa's shares and controlled 92% of the voting rights, which allowed them to take Brisa private as intended. However, the situation was not as simple as it appeared. In one hand José de Mello and Arcus could take Brisa private as they had the necessary voting right to do so. Although, on the other hand they were not able to force the remaining shareholders to sell their position in a squeeze out operation, as they did not own 90% of the shares. Moreover, they did not show any intention of launching another takeover offer for the remaining outstanding shares, which worried the remaining shareholders as their shares would lose their liquidity.

Therefore, it took five months (from September to February) for the financial market regulator – CMVM – to answer Tagus request. The CMVM ruled that Tagus would only be allowed to take Brisa private if it accepted to acquire, by a fair price, the shares of any shareholder that wanted to sell his position. As a result, in 5th of April of 2013, after CMVM approval, Tagus announced that Brisa would be taken private on 11th of April and that until 13th of May it would pay 2.22€ per share to any shareholder which desired to sell it position. All the remaining shareholders accepted the offer, thus José de Mello, Arcus and Tagus now control the totality of Brisa's voting rights.

QUESTIONS

1. What were the reasons that leaded José de Mello and Arcus to launch this takeover?
2. What is the reasoning behind the price per share offered by Tagus?
3. Imagine you are an independent analyst. What recommendation would you give to Brisa's shareholders? Explain your decision.
4. Consider the different positions that Abertis could take regarding the takeover offer. Explain which position you consider the best one.
5. In June Tagus increased its offer to 2.76 euros per share. Does the increase in the price affect you answer to question 3 and 4?
6. What were the reasons that leaded to the fall in Brisa's share price after the success of takeover, as shown in Exhibit 3?

EXHIBITS

Exhibit 1 - Brisa's Initial Concession

Highway	# km of the Concession	# km Opened in 1972
A1	295	36
A2	37	15
A3	25	0
A5	25	8
Total	**382**	**59**

Source: Brisa, Portugal Convida & IMTT

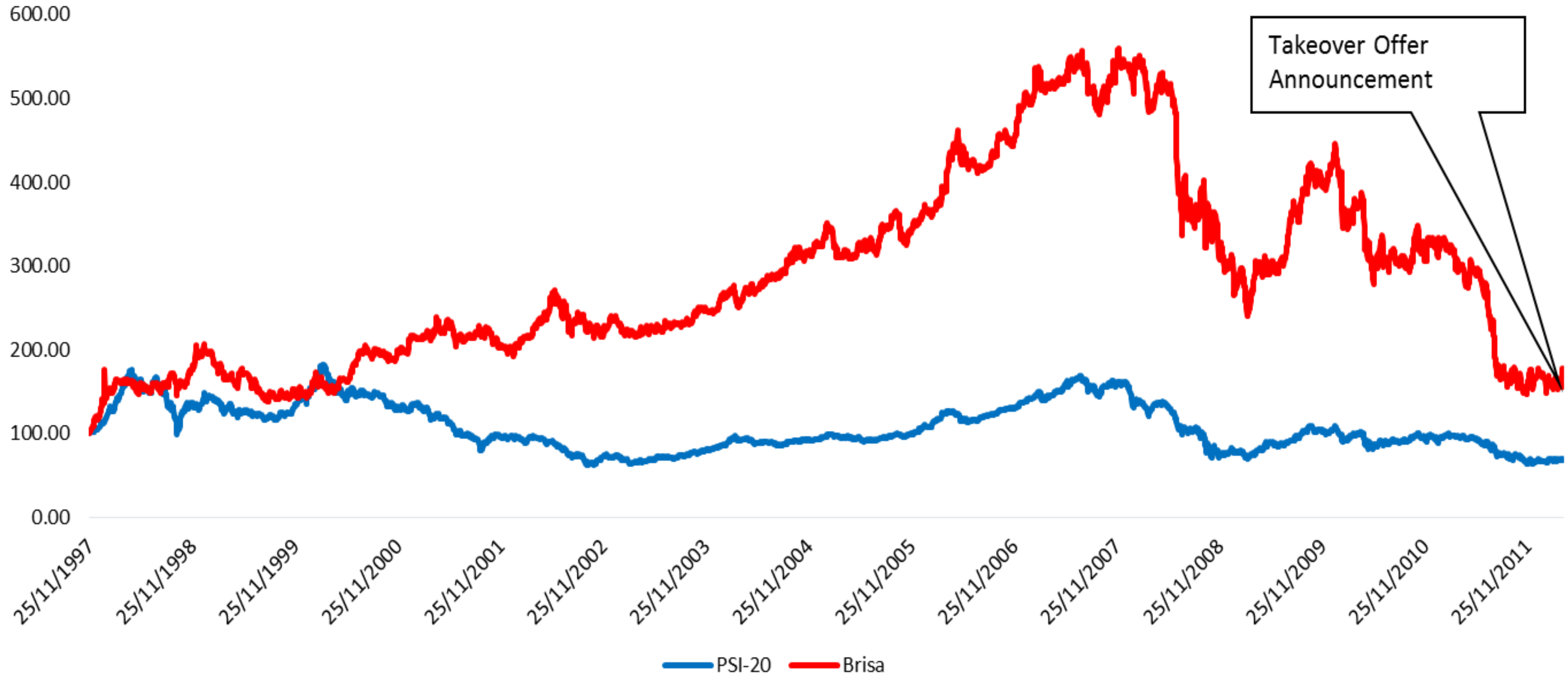
Exhibit 2 - Brisa re-privatization process

Year	Capital Sold	Price
nov/97	35%	2.42 €
nov/98	31%	4.16 €
mai/99	20%	4.35 €
jul/01	4.76%	4.95 €

Source: Brisa, Diário da République & Jornal de Negócios

Exhibit 3

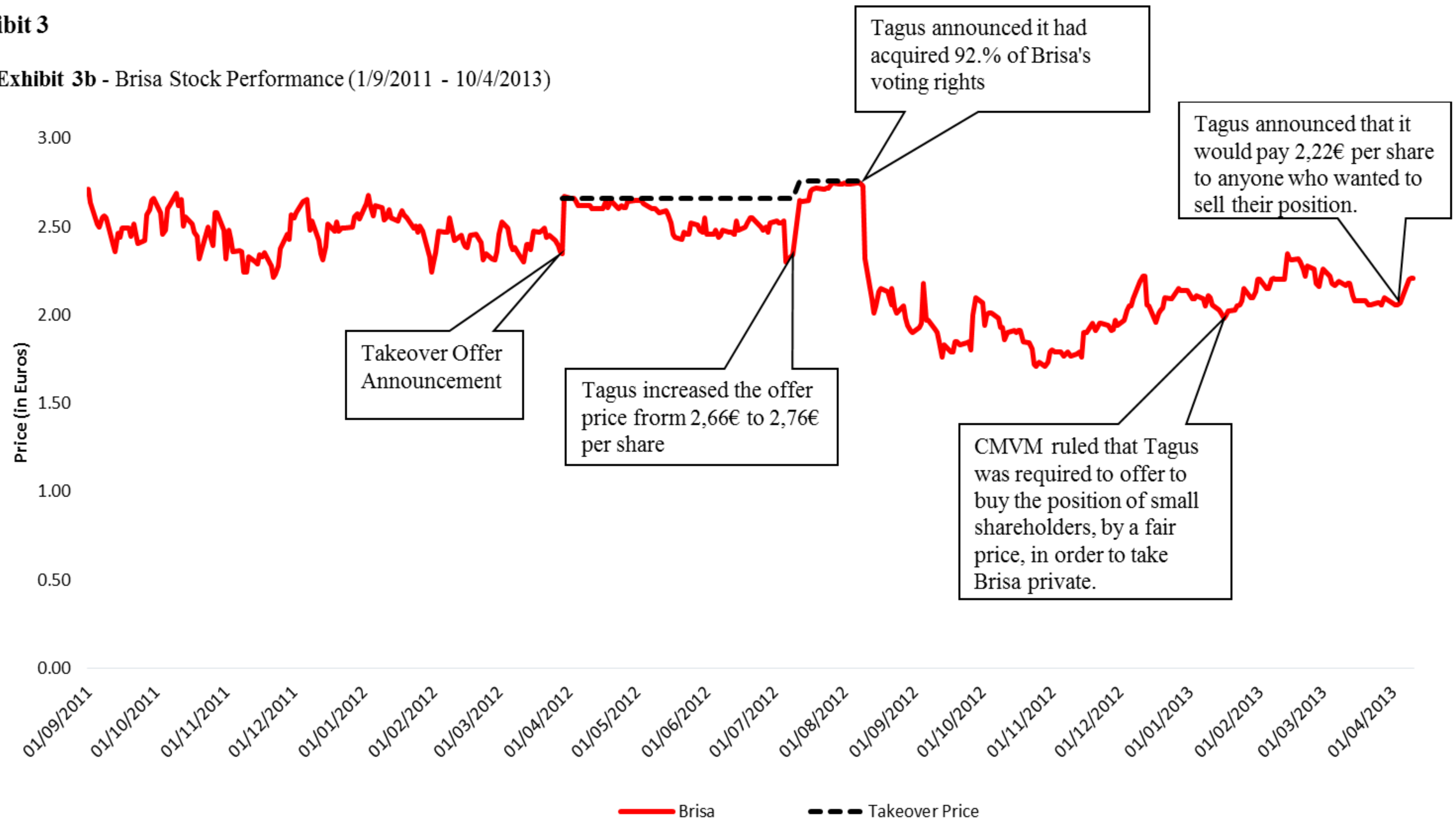
Exhibit 3a - Brisa Stock Performance VS PSI-20 Performance



Source: Bloomberg

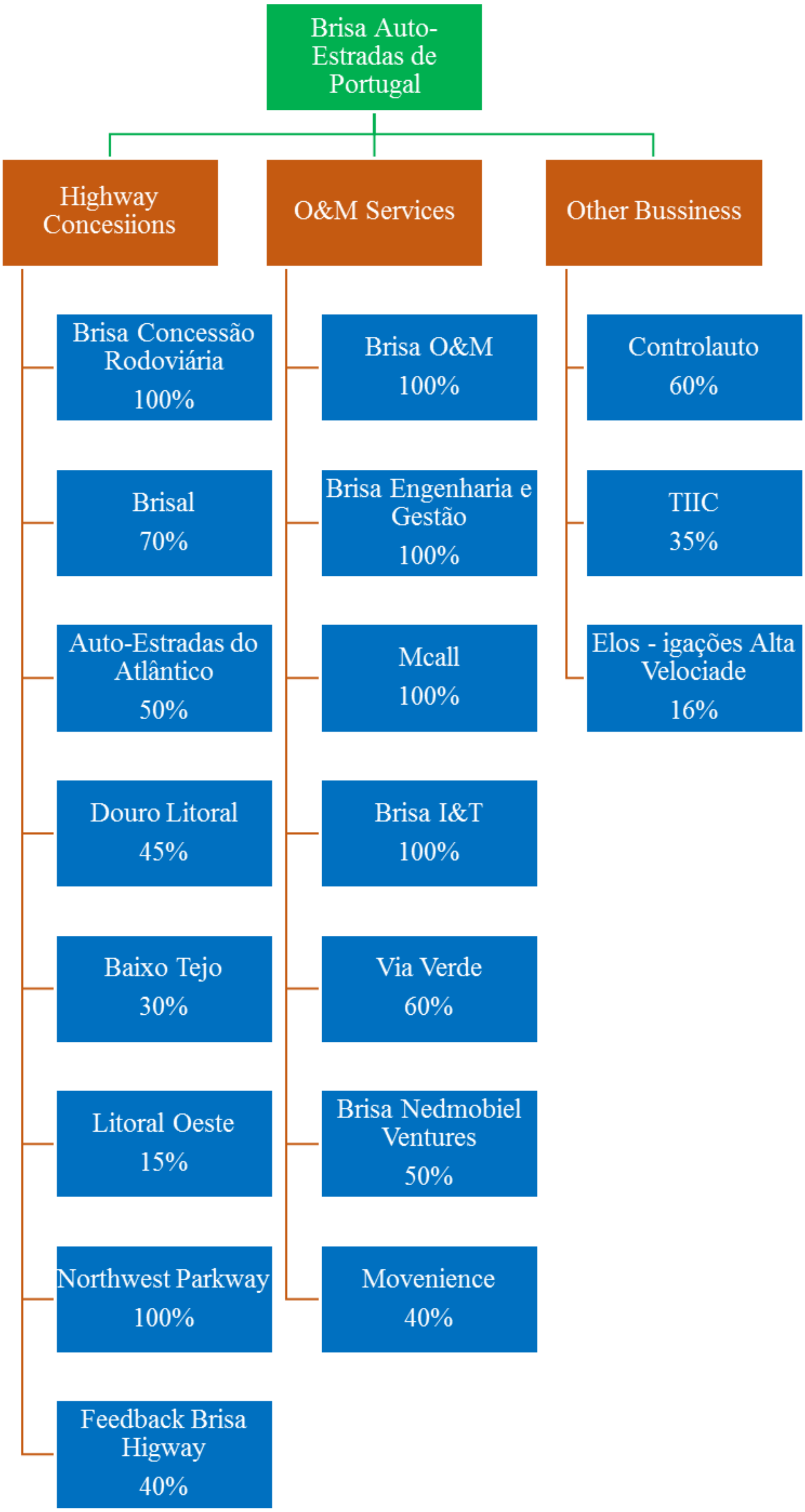
Exhibit 3

Exhibit 3b - Brisa Stock Performance (1/9/2011 - 10/4/2013)



Source: Bloomberg

Exhibit 4 - Brisa's Group Diagram



Source: Brisa

Exhibit 5 - Brisa's Main Subsidiaries and Participated Companies

Name	Description	km Explored	Operating Revenues in 2011 (million €)	EBITDA Margin in 2011	Share of Capital
Highway Concessions					
Brisa Concessão Rodoviária	Concessionaire of Brisa's main concessions which includes A1 (Oporto-Lisbon), A2 (Lisbon - Albufeira), A3 (Oporto-Valença), A4 (Oporto-Amarante), A9 (CREL), A10 (Bucelas-Benavente), A12 (Setúbal-Montijo), A13 (Almeirim-Marateca) and A14 (Coimbra-Figueira da Foz). Its concession if valid up to 2035.	1 124	503	75%	100%
Auto-estradas do Atlântico	Concessionaire of up to 2028 of two highways A8 (Caldas da Rainha - Leiria) and A15 (Caldas da Rainha - Santarém) .	170	63	69%	50%
Brisal	Concessionaire of A17 (Marinha Grande - Mira).	93	19	36%	70%
Douro Litoral	Concessionaire of A32 (Oliveria de Azeméis - Vila Nova de Gaia), A41 (Ermida - Espinho) and A43 (Gondomar - Aguiar de Sousa) until 2034.	126	5	-41%	45%
Baixo Tejo	Concessionaire of A33 (Funchalinho - Penalva), A38 (Almada - Costa da Caparica), IC3 (Montijo - Alcochete), IC31 (Barreiro) until 2038.	68	-	-	30%
Litoral Oeste	Concessionaire of A19 (São Jorge - Leiria), IC9 (Nazaré- Tomar), IC36 (A8 Leiria - A1 Leiria), Circular Oriental de Leiria (COL), Via de Penetração de Leiria (VPL) and other minor roads up to 2039.	112	-	-	15%
Northwest Parkway	Concessionaire of part of Denver's ring road (Broomfield) until 2106.	14	8	52%	100%
Feedback Brisa Highways	Concessionaire of highways in India. Operates under the brand Ezeeway.	5 800	-	-	40%
Operation and Maintenance Services					
Via Verde	Controls and manages the Electronic Toll Payment System with the same name as the company. In addition for the toll payment, this system also allows the payment of parking lots and other facilities uses by vehicles.	-	36	23%	60%
Brisa Operação e Manutenção	Provides integrated operational and maintenance services to transport infrastructures as well as support to the user of those infrastructures.	-	115	22%	100%
Brisa Engenharia e Gestão	Provides engineering and project management services.	-	17	-11%	100%
Mcall	Brisa's call-center.		3	15%	100%
Brisa Inovação e Tecnologia	Investigates, creates, produces, and operates intelligent services used in the operation of transport infrastructures.	-	47	30%	100%
Brisa Nedmobiel Ventures	Provides consulting services to highway and roads concessionaires.	-	-	-	50%
Movenience	Collects the toll payment on Westerschelde tunnel in the Holland. In addition for the toll payment, it started to expand the payment system to parking lots and other facilities uses by vehicles, following Via Verde example.	-	-	-	40%
Other Business					
Elos - Ligações Alta Velocidade	Concessionaire of the infrastructures of the high speed train in the section Caia-Poceirão. The concession is expected to start in 2014 and last for 35 year.	-	-	-	16%
Controlauto	Vehicles inspection company.	-	28	34%	60%
TIIC	Investment Fund for transport infrastructures. Jointly detained by Brisa, Millennium Investment Bank and La Compagnie Bejamin de Rothschild.	-	-		35%

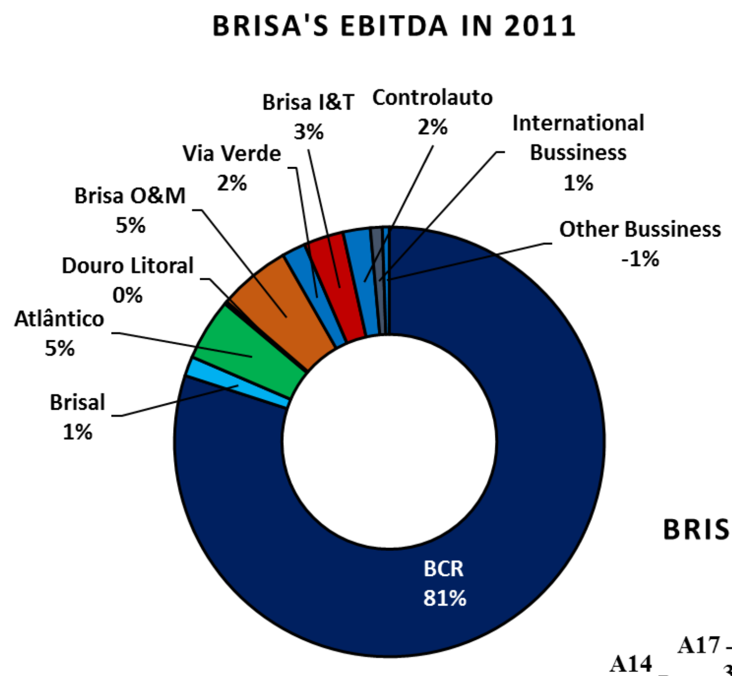
Source: Brisa, José de Mello, Portugal Convida, Infrastructures de Portugal & IMTT

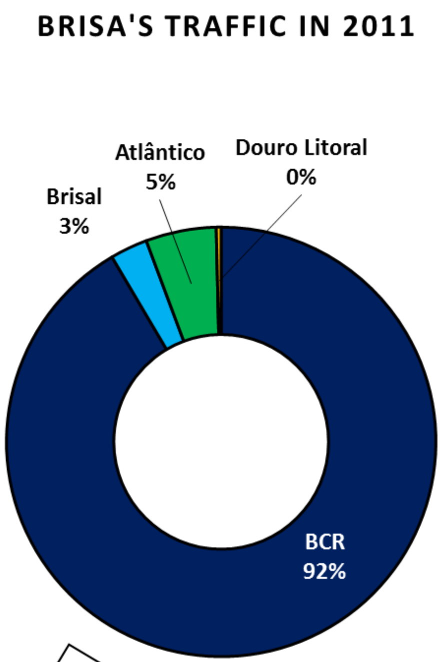
Exhibit 6 - Brisa's Consolidated Balance Sheet

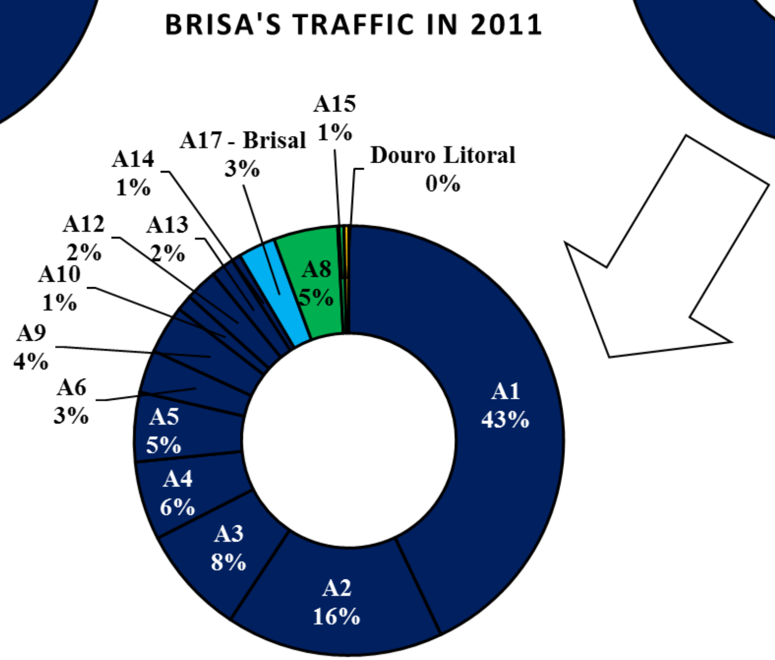
In 000 €	2004	2005	2006	2007	2008	2009	2010	2011
Assets								
Current Assets								
Cash & Equivalents	44 266	312 151	204 733	113 119	140 261	170 496	1 355 939	969 197
Accounts Receivable	131 117	126 275	123 324	147 964	48 375	52 344	64 745	64 038
Inventory	4 773	5 256	5 574	6 055	5 646	4 034	4 964	7 928
Other Current Assets	37 131	35 720	31 575	7 250	58 375	20 754	27 437	30 206
Total Current Assets	**217 287**	**479 402**	**365 206**	**274 388**	**252 657**	**247 628**	**1 453 085**	**1 071 369**
Non-Current Assets								
Property, Plant and Equipment	2 493 849	2 724 122	3 102 579	3 621 676	3 693 628	3 565 386	93 617	86 231
Goodwill	8 666	31 630	31 630	29 436	29 436	28 130	28 130	28 130
Intangible Assets	359 965	371 728	379 966	866 692	1 220 925	946 894	4 248 794	5 013 289
Investments in Associate Companies	119 217	181 115	255 522	195 404	163 502	297 158	26 646	28 965
Other Financial Investments	71 164	18 260	3 013	2 039	14 230	24 378	10 361	9 484
Financial Assets Detained for Sale	519 559	311 997	135 205	139 063	4 332	-	-	-
Deferred Income Taxes	305 770	187 530	131 834	194 411	183 790	138 428	178 433	192 731
Other Non-Current Assets	5 086	6 127	34 113	35 938	31 308	29 239	32 355	39 209
Other Non-Current Assets Detained for Sale	-	-	-	-	-	5	14 170	13 843
Total Non-Current Assets	**3 883 276**	**3 832 509**	**4 073 862**	**5 084 659**	**5 341 151**	**5 029 618**	**4 632 506**	**5 411 882**
Total Assets	**4 100 563**	**4 311 911**	**4 439 068**	**5 359 047**	**5 593 808**	**5 277 246**	**6 085 591**	**6 483 251**
Liabilities								
Current Liabilities								
Accounts Payable	21 094	18 586	20 515	20 922	18 859	17 969	26 744	18 537
Loans	204 514	842 528	346 618	261 634	474 539	528 286	399 010	676 920
Payables from Non-Current Assets	106 868	100 083	69 275	68 368	24 300	27 443	26 375	19 292
Other Current Liabilities	53 654	62 178	59 801	127 655	110 112	90 154	128 814	71 702
Total Current Liabilities	**386 130**	**1 023 375**	**496 209**	**478 579**	**627 810**	**663 852**	**580 943**	**786 451**
Non-Current Liabilities								
Loans	2 071 684	1 538 574	2 222 379	3 059 102	3 339 580	2 986 397	3 155 744	3 809 524
Provisions	8 050	6 314	4 258	4 437	5 223	56 507	320 841	203 140
Liabilities by Deferred Taxes	1 407	1 687	1 753	1 385	8 379	14 807	25 704	33 091
Other Non-Current Liabilities	98 024	116 711	148 490	124 208	240 117	121 325	109 183	328 400
Total Non-Current Assets	**2 179 165**	**1 663 286**	**2 376 880**	**3 189 132**	**3 593 299**	**3 179 036**	**3 611 472**	**4 374 155**
Total Liabilities	**2 565 295**	**2 686 661**	**2 873 089**	**3 667 711**	**4 221 109**	**3 842 888**	**4 192 415**	**5 160 606**
Equity								
Common Stock	600 000	600 000	600 000	600 000	600 000	600 000	600 000	600 000
Company Detained Stocks	-16 752	-27 090	-89 969	-108 920	-176 113	-176 113	-176 113	-275 422
Accumulated Gains (+)/ Losses (-) from Associated Companies	607	-1 152	349	335	335	-29 710	-44 764	-4 293
Reserves	304 107	287 556	451 662	464 379	382 572	413 337	410 947	456 529
Accumulated Gains (+)/ Losses (-) from Forex Operations	-5 538	-5 854	-21 317	-11 949	-46 868	3 289	3 111	12 520
Retained Earnings	454 051	461 645	431 736	423 319	429 725	431 675	321 590	787 988
Net Income	191 121	297 814	167 047	259 357	151 832	161 021	778 500	-82 157
Shareholder's Equity	**1 527 596**	**1 612 919**	**1 539 508**	**1 626 521**	**1 341 483**	**1 403 499**	**1 893 271**	**1 495 165**
Non-Controlling Interest	7 672	12 331	26 471	64 815	31 216	30 859	-95	-172 520
Total Equity	**1 535 268**	**1 625 250**	**1 565 979**	**1 691 336**	**1 372 699**	**1 434 358**	**1 893 176**	**1 322 645**
Total Equity and Liabilities	**4 100 563**	**4 311 911**	**4 439 068**	**5 359 047**	**5 593 808**	**5 277 246**	**6 085 591**	**6 483 251**

Source: Brisa

Exhibit 7 - Brisa's EBITDA and Traffic per Company and Concessionaire in 2011







Source: Brisa

Exhibit 8 - Brisa's Consolidated Income Statement

In 000 €	2004	2005	2006	2007	2008	2009	2010	2011
Operational Revenues								
Services	559 083	560 180	559 573	622 638	632 645	644 801	646 531	631 275
Other Operational Income	13 817	17 080	26 351	23 416	53 198	32 089	27 171	38 903
Reversion of Amortizations and Depreciation	1 509	107	-	417	203	126	12 266	55 008
Revenue associated with Construction Services	-	-	-	-	-	-	78 837	62 136
Total Operational Revenues	**574 409**	**577 367**	**585 924**	**646 471**	**686 046**	**677 016**	**764 805**	**787 322**
Operational Costs								
COGS	-2 618	-3 744	-3 381	-4 307	-6 330	-2 667	-5 792	-15 401
Variation of Production	644	359	462	-205	-217	253	467	-
Outsourced Services	-65 825	-72 274	-76 193	-89 745	-98 676	-91 481	-88 544	-88 985
Salaries	-75 621	-80 537	-85 351	-86 466	-93 328	-95 128	-100 943	-101 174
Amortization and Depreciations	-105 674	-115 504	-123 835	-177 910	-205 099	-237 724	-294 107	-193 900
Provisions and Imparity Losses	-3 708	-7 234	-84	-193	-1 120	-21 124	-139 851	-52 782
Other Operational Costs	-7 040	-2 905	-3 631	-6 233	-4 701	-6 253	-5 111	-5 504
Costs associated with Construction Services	-	-	-	-	-	-	-78 837	-62 136
Total Operational Cost	**-259 842**	**-281 839**	**-292 013**	**-365 059**	**-409 471**	**-454 124**	**-712 718**	**-519 882**
EBIT	**314 567**	**295 528**	**293 911**	**281 412**	**276 575**	**222 892**	**52 087**	**267 440**
EBIT Margin	*54.8%*	*51.2%*	*50.2%*	*43.5%*	*40.3%*	*32.9%*	*6.8%*	*34.0%*
Financial Expenses	-109 666	-91 779	-87 593	-123 371	-196 177	-157 124	-155 086	-160 342
Financial Income	35 159	9 286	17 308	20 543	19 693	9 854	9 162	53 130
Gains (+)/ Losses (-) from Investments	40 159	206 954	10 489	44 420	83 858	106 952	857 500	-217 746
EBT	**280 219**	**419 989**	**234 115**	**223 004**	**183 949**	**182 574**	**763 663**	**-57 518**
Income Tax	-87 976	-121 074	-65 818	31 727	-47 532	-42 600	-22 744	-20 652
Net Income	**192 243**	**298 915**	**168 297**	**254 731**	**136 417**	**139 974**	**740 919**	**-78 170**
Attributable to:								
Minority Interest	1 122	1 101	1 250	-4 626	-15 415	-21 047	-37 581	3 987
Brisa's Shareholders	191 121	297 814	167 047	259 357	151 832	161 021	778 500	-82 157

Source: Brisa

Exhibit 9 - Brisa's Consolidated Income Statement Forecast

In 000 €	2012F	2013F	2014F	2015F	2016F
Operational Revenues	655 715	658 546	668 020	679 553	693 240
Operational Costs	-255 729	-253 540	-253 848	-254 832	-256 499
EBITDA	**399 986**	**405 006**	**414 172**	**424 720**	**436 741**
EBITDA Margin	*61.0%*	*61.5%*	*62.0%*	*62.5%*	*63.0%*
Amortization and Depreciations	-190 000	-190 000	-185 000	-180 000	-175 000
EBIT	**209 986**	**215 006**	**229 172**	**244 720**	**261 741**
EBIT Margin	*32.0%*	*32.6%*	*34.3%*	*36.0%*	*37.8%*
Net Financial Income (+)/ Expenses (-)	-120 498	-128 817	-127 904	-129 356	-130 663
Gains (+)/ Losses (-) from Investments	-20 000	50 000	70 000	80 000	100 000
EBT	**69 488**	**136 188**	**171 268**	**195 364**	**231 079**
Income Tax	-17 372	-34 047	-42 817	-48 841	-57 770
Net Income	**52 116**	**102 141**	**128 451**	**146 523**	**173 309**
Attributable to:					
Minority Interest	5 000	5 000	5 000	5 000	5 000
Brisa's Shareholders	47 116	97 141	123 451	141 523	168 309
Capex	75 905	64 519	58 067	52 261	53 306

Source: One of the purpose of the elaboration of this case, was that it could be analysed by future students. Therefore, for pedagogical reasons the date presented was adapted and changed from Brisa projections.

Exhibit 10 - José the Mello's Group Consolidated Balance Sheet

In million €	2006	2007	2008	2009	2010	2011
Assets						
Cash & Equivalents	91	98	194	180	174	171
Inventory	120	126	96	75	90	100
Financial Investments	1 730	2 270	1 852	1 952	1 907	1 878
Property, Plant and Equipment	236	269	276	354	386	392
Goodwill	106	115	116	115	114	113
Other Assets	480	978	1 150	1 045	1 209	1 188
Total Assets	**2 764**	**3 856**	**3 683**	**3 720**	**3 880**	**3 843**
Liabilities						
Loans	1 935	2 522	2 714	2 780	2 860	2 868
Provisions and Benefits of Employees	61	77	95	81	76	76
Other Liabilities	461	480	592	512	533	672
Total Liabilities	**2 457**	**3 079**	**3 400**	**3 373**	**3 469**	**3 617**
Equity						
Common Stock	170	170	170	170	170	170
Share Issue Premium	5	5	0	0	0	0
Retained Earnings	51	130	171	181	6	139
Net Income	35	435	-82	-31	192	-125
Shareholder's Equity	**261**	**739**	**259**	**320**	**368**	**184**
Non-Controlling Interest	45	37	24	27	43	41
Total Equity	**307**	**776**	**283**	**347**	**411**	**226**
Total Equity and Liabilities	**2 764**	**3 856**	**3 683**	**3 720**	**3 880**	**3 843**

Source: José de Mello

Exhibit 11 - José the Mello's Group Consolidated Income Statement

In million €	2006	2007	2008	2009	2010	2011
Revenues				910	1 173	1 078
Operating Costs				-893	-1 143	-1 066
Operating Income				**16**	**30**	**12**
Financial Income (+)/Loss (-)				-40	168	-134
Income Taxes				-3	-7	0
Minority Interest				-4	1	-1
Net Income	**35**	**435**	**-82**	**-31**	**192**	**-125**

Source: José de Mello

Exhibit 12 - Brisa's Shareholders at 29/03/2012

	# of Shares	Share of the Capital	Share of the Voting Rights
Total number of Shares	**600 000 000**	**-**	**-**
Brisa	47 236 842	7.87%	-
José de Mello	182 843 792	30.47%	33.08%
ARCUS	114 557 795	19.09%	20.72%
Target Shares	**255 361 571**	**42.56%**	**46.20%**
of which belong to Abertis	*90 143 700*	*15.02%*	*16.31%*

Source: CMVM

Exhibit 13 - Brisa's Takeover Price Premium

	Price	Premium
Takeover Price per Share	2.66 €	-
Closing Price on Announcement Date	2.35 €	13.38%
Average Price weighted by trading volume in the Three Months before the Announcement	2.44 €	8.80%
Average Price weighted by trading volume in the Six Months before the Announcement	2.45 €	8.64%

Source: Takeover Prospectus, Bloomberg

Exhibit 14 - Analysts Target Share Price for Brisa at 29/03/2012

	Date	Recommendatioı	Price	Premium over Takeover Price
Takeover Price per Share	**29/03/2012**	**-**	**2.66 €**	**-**
Goldman Sachs	28/03/2012	Neutral	2.20 €	20.91%
Alpha Value	22/03/2012	Sell	2.54 €	4.72%
Exane BNP Paribas	15/03/2012	Underperform	2.10 €	26.67%
BBVA	13/03/2012	Underperform	2.40 €	10.83%
BPI	13/03/2012	Buy	3.40 €	-21.76%
Espiríto Santo Investment Bank	08/03/2012	Buy	3.30 €	-19.39%
Oddo& Cie	08/03/2012	Sell	2.20 €	20.91%
CaixaBI	07/03/2012	Buy	3.80 €	-30.00%
Millennium Investment Bank	20/02/2012	Buy	3.15 €	-15.56%
Natixis	07/02/2012	Sell	2.20 €	20.91%
Nomura	26/01/2012	Sell	2.88 €	-7.64%
JP Morgan	12/01/2012	Underperform	2.40 €	10.83%
Credit Suisse	30/11/2011	Underperform	2.60 €	2.31%
Max			3.80 €	-30.00%
Min			2.10 €	26.67%
Average			**2.71 €**	**-1.68%**
Median			**2.54 €**	**4.72%**

Source: Takeover Prospectus, Bloomberg

Exhibit 15 - Comparable and Other Financial Information

abertis	▪ Abertis manages mobility and telecommunication infrastructures through 3 business areas, namely tolled highways, telecommunication infrastructures and airports. ▪ Abertis is the Spanish leader in the tolled highways sector managing over 1,500 km, covering 59% of all the tolled routes. Through this business area Abertis is also present in France, Portugal, United Kingdom and Puerto Rico. ▪ In the telecommunication and airport business areas Abertis owns the main network for the dissemination and transmission of radio and television signals in Spain and has stakes in a number of airports.
SIAS Società Iniziative Autostradali e Servizi SpA	• SIAS is a spin-off from Autostrada Torino-Milano S.p.A. which occurred in 2002. • SIAS is an industrial holding that operates essentially in the highway, technology (optic fibre, advanced mobility management systems and traffic management software) and construction (highway networks maintenance and widening), through several subsidiaries. • In the highway sector, it manages around 1,053 km of the Italian highway network plus additional 233 km in Italy and abroad through participated companies.
Atlantia	▪ Atlantia develops its activity in the infrastructure and transport and telecommunication networks sectors. ▪ The company owns 100% of Autostrade per l'Italia, the biggest highway builder and operator in Italy which, together with the concessionaire fully owned by it, is one of the main players in Europe as it manages a total of 3,132 km of highways. ▪ Atlantia is present in highway concessions in Poland, France, Portugal, India, Chile and Brazil through direct and indirect participations in foreign companies.

	Abertis	SIAS	Atlantia
Market Multiples			
Equity Value/EBITDA 2011	4.04 x	2.13 x	3.29 x
β Levered	0.94	0.77	0.83
Debt (million euros)	17 792	19 277	2 945
Market Capitalization (million euros)	9 904	1 306	7 849

β Levered of Brisa	0.73
Corporate Tax Rate	25%
German Bond 1Y	0.70%
German Bond 2Y	0.92%
German Bond 5Y	1.63%
German Bond 10Y	2.50%
German Bond 30Y	3.10%

Source: Takeover Prospectus, Bloomberg, Atlantia, SIAS, Abertis

CASE DISCUSSION

1. What were the reasons that leaded José de Mello and Arcus to launch this takeover?

José de Mello and Arcus launched this takeover offer for Brisa in order to frustrate any attempt of Abertis launching its own takeover. José de Mello, Brisa's largest shareholder, needed the dividends paid by the target to fulfil its high debt obligations, thus, it could not risk to lose Brisa's control. The only solution, was for José the Mello to launch a takeover for the majority of Brisa´s voting rights.

Moreover, the three largest Portuguese banks (Caixa Geral de Depósitos, Banco Espírito Santo and Millennium BCP) were pressuring José de Mello to take Brisa private, in order to solve its problem of insufficient collaterals in its loans. José de Mello had given its Brisa shares as a collateral to these banks, however due the fall in target's share price, its value become too low. Therefore, José de Mello would have to increase the collaterals or the financial institutions would have to raise more capital. Two solutions that were extremely difficult to fulfil due to the crisis Portugal was facing. If Brisa was taken private each financial institution would be able to issue its own valuation of the collateral, solving the problem. As a result, with this takeover José de Mello was able to solve these two problems at once. Arcus, who was jointly controlling Brisa with José de Mello, joined the takeover in order to maintain its influence in the target company.

Additionally, this operation allowed the two acquirers to obtain the totality of the targets cash flows to themselves, which bare low risk due to Brisa's stable traffic volumes in its most important highway concessions (A1, A2, A3, A4, A5 and A9). José de Mello is a family owned private conglomerate whose purpose is to build a portfolio that provides to the family a good income over the current and the next generations. Arcus is an infrastructure investment fund who needs to provide to its investor a good risk adjusted return through cash payments. Therefore, the additional cash flows would allow these companies to offer higher return to their investor. In José de Mello's case they would also help the group to reduce its high indebtedness level.

2. What is the reasoning behind the price per share offered by Tagus?

The price per share offered, by the acquirer, in a takeover attempt can usually be divided between the fair price and the premium. The premium is the amount paid above the fair price in order to convince the target's shareholders to sell their positions.

In order to discover the reasoning behind the price of the takeover offer, it is possible to use the APV (Adjusted Present Value) or the market multiples of comparables firms or the analyst target price for Brisa as well as its historical market price.

The APV valuation of Brisa, using its own β (0.21), gave us an equity value of 1404 million euros (**Discussion Note 1 & Appendix 2**), which corresponds to a share price of 2.54€. When compared to the price offer in the takeover it has an implied premium of 4.73% (**Appendix 1**). If we use the β Brisa's comparables (0.37), the APV valuation gives an equity value of 778 million euros (**Discussion Note 1 & Appendix 3**), which corresponds to a share price of 1.41€. In this scenario the implied premium is equal to 88.92%. The difference between these two values is almost certainly explained due to the higher correlation verified between the market and Brisa's comparables.

The valuation of Brisa's equity using its comparables multiples gives us the equity value based on the company's EBITDA, which in 2011 was equal to 461 million euros. The total equity value is equal to 1455 million euros (**Appendix 4**), which corresponds to a price per share of 2.63€. Thus the takeover offers a premium of 1.07%.

Based on all the information obtained (**Appendix 1**) it is possible to conclude that Brisa's fair price per share is between 2.44€ and 2.71€. Therefore, Tagus' takeover is offering a premium that is between -1.68% and 8.8%.

3. **Imagine you are an independent analyst. What recommendation would you give to Brisa's shareholders? Explain your decision.**

Tagus was offering a lower price for Brisa, in its takeover attempt, than the one expected in similar situations. Usually the premium paid by the acquirers is around 10% and could go up to 20%/25% when the control of the company is at stake. However, Tagus was only paying a premium between 1% and 4% when compared to the valuation obtained from the multiples, APV and market analyst. Even when compared to the average market price in the months prior to the takeover announcement (2.44€/2.45€), the premium offered in the takeover was inferior to 9%. Therefore, I believe that Tagus was not paying enough for Brisa.

Although the price offered by Tagus was low, I would still advise Brisa's shareholders to sell their shares. If José de Mello and Arcus manage to obtain 90% of the voting rights and subsequently take Brisa private, any shareholder that did not sell its position, would now own shares that had less liquidity and consequently bear a lower value.

Concluding, I believe that the risk small shareholders face if they do not sell is too high, when compared to the additional return they might have. However, as Abertis has the future of the takeover in its hands, small shareholders could wait for the decision of the Spanish concessionaire before selling their shares.

4. **Consider the different positions that Abertis could take regarding the takeover offer. Explain which position you consider the best one.**

One of the reasons behind Tagus takeover operation was the attempt to frustrate the possibly of Abertis launching its own takeover. Thus, the failure of this takeover would leave Brisa exposed to the Spanish threat. Furthermore, Abertis owned 16.31% of Brisa's voting rights, which put the success of Tagus' offer in hand of the Spanish concessionaire. Therefore, Abertis would only be willing to sell its shares if and only if the premium paid was good enough to compensate for the forgone opportunities. However, the premium offered by Tagus does not even reach 9% based on the vast majority of the valuations, which is below the average premium paid in a regular takeovers. As a result, I believe that Abertis should not sell its shares.

5. **In June Tagus increased its offer to 2.76 euros per share. Does the increase in the price affect you answer to question 3 and 4?**

The increase in the price per share, offered by Tagus, from 2.66€ to 2.76€ increased the premium from a range between -1.68% and 8.8% to the range between 2.02% and 12.89% (**Appendix 5**). The new price bare a premium between 4.8% and 8.67% when compared with the APV, market analyst and multiples valuation and between 12.7% and 12.9% when compared with the average market price in the months before the takeover.

In question number 3, I have recommend Brisa's shareholder to sell their shares, thus with this higher price it is only logical to maintain the same recommendation.

Regarding Abertis, considering that the Spanish concessionaire has the future of the offer in its hands and that it would benefit from the failure of the takeover, the premium paid by Tagus continues to be considerable low. Even though the premium is closer to the regular values offered in takeovers, it is still not enough to compensate Abertis for its forgone plans. Therefore, I would maintain the answer to question 4, where I have said that I believed that Abertis should not sell its shares.

6. **What were the reasons that leaded to the fall in Brisa's share price after the success of takeover, as shown in Exhibit 3?**

Brisa lost around 25% of the company's market capitalization after the announcement of success of the takeover offer, launched by Tagus. Financial evidence shows that a fall of this magnitude is the result of a change in the perception that investors have over a company. In this case, the success of the takeover implied that Tagus would soon request the withdrawal of Brisa from the stock market. As a result, minoritary shareholders would soon own a less liquid asset as it would be far more difficult to sell it. Consequently, Brisa' shares had a lower value than the one they would have if the company remained public.

To conclude, Brisa's share price dropped as investors were expecting the company's withdraw from the stock market, and applied a discount around 20% when compared to the valuation given by the APV, multiples and market analyst, before the takeover announcement.

DISCUSSION NOTE

DISCUSSION NOTE 1 – APV ASSUMPTIONS

In order to calculate the APV valuation of Brisa it was necessary to make some assumption.

The first assumption was that the operating cash flows of Brisa were equal to 170 million euros, which was used to calculate the NWC (Net Working Capital) requirement. The excess cash was subtracted to Brisa's debt to obtain its Net Debt.

The second assumption was that the NWV requirements were equal to 15% of the operational revenues (**Appendix 6**), which was the average of the NWC requirement between 2006 and 2011.

The third assumption was that in the Terminal Value Brisa all the components of the free cash flows were going to growth at a rate of 1.5% per year for 20 years, as BCR's concession only lasts until 2035. Furthermore it was assumed that EBIT's and EBITDA's margin are going to remain constant in the Terminal Value.

Finally, to calculate the cost of capital (**Appendix 7**), first it was necessary to estimate the value of the unlevered β's. To achieve them the value of the levered β's, given by the case, was divided by $\left(1 + (1 - Tax\ Rate) * \frac{D}{E}\right)$. The Debt-to-Equity ratio was estimated using the market value of equity and the book values of net debt. The value of the β from Brisa's comparables is equal to the average of the unlevered β of the three companies. The cost of capital was calculated through the CAPM formula, using as risk free rate the yield of 10 years German Government Bond and as market risk premium for Portugal a rate of 7.2%, as given by "Market Risk Premium Used in 2012" by Fernandez, Pablo et al, 2012.

APPENDICES

Appendix 1 - Brisa's Fair Share Price and Associated Premium with price of March 2012

	Price	Premium
Takeover Price per Share - 29/03/2012	**2.66 €**	
Market Prices		
Average Price in the Three Months before the Announcement	2.44 €	8.80%
Average Price in the Six Months before the Announcement	2.45 €	8.64%
Market Multiples		
Average	2.63 €	1.07%
APV (β Brisa)	2.54 €	4.73%
APV (β Comparables)	1.41 €	88.92%
Analyst Target Price		
Average	2.71 €	-1.68%
Median	2.54 €	4.72%

Appendix 2 - APV Valuation using Brisa's β

	PV - Brisa					
In 000 €	**2012**	**2013**	**2014**	**2015**	**2016**	**TV (2016)**
Operational Revenues	655 715	658 546	668 020	679 553	693 240	10 656 555
Operational Costs	-255 729	-253 540	-253 848	-254 832	-256 499	
EBITDA	**399 986**	**405 006**	**414 172**	**424 720**	**436 741**	**6 713 630**
Amortization and Depreciations	-190 000	-190 000	-185 000	-180 000	-175 000	-2 557 573
EBIT	**209 986**	**215 006**	**229 172**	**244 720**	**261 741**	**4 156 057**
Operating Taxes	-52 497	-53 751	-57 293	-61 180	-65 435	-1 039 014
NOPLAT	**157 490**	**161 254**	**171 879**	**183 540**	**196 306**	**3 117 042**
Amortization and Depreciations	190 000	190 000	185 000	180 000	175 000	2 557 573
NWC Requirement	14 463	-2 830	-9 474	-11 533	-13 687	-210 401
Capex	-75 905	-64 519	-58 067	-52 261	-53 306	-819 422
Total Free Cash Flow to the Firm	**286 047**	**283 905**	**289 338**	**299 747**	**304 313**	**4 644 793**
Discounted FCF	**286 047**	**272 911**	**267 364**	**266 257**	**259 846**	**3 966 087**
Interest Paid	-120 498	-128 817	-127 904	-129 356	-130 663	-2 008 559
Interest Tax Shield	**-30 125**	**-32 204**	**-31 976**	**-32 339**	**32 666**	**502 140**
Discounted Interest Tax Shields	**-30 125**	**-30 957**	**-29 548**	**-28 726**	**27 892**	**428 766**
Discount Factor	1.00	0.96	0.92	0.89	0.85	0.85
Unlevered Value of Brisa	5 318 513					
PV of Interest Tax Shield	337 303					
Value of Net Debt	4 251 878					
Equity Value of Brisa	**1 403 939**					
# Shares	552 763 158					
Price per Share	**2.54 €**					

Appendix 3 - APV Valuation using Brisa's Comparables β

	PV - Brisa					
In 000 €	**2012**	**2013**	**2014**	**2015**	**2016**	**TV (2016)**
Operational Revenues	655 715	658 546	668 020	679 553	693 240	9 613 743
Operational Costs	-255 729	-253 540	-253 848	-254 832	-256 499	
EBITDA	**399 986**	**405 006**	**414 172**	**424 720**	**436 741**	**6 056 658**
Amortization and Depreciations	-190 000	-190 000	-185 000	-180 000	-175 000	-2 307 298
EBIT	**209 986**	**215 006**	**229 172**	**244 720**	**261 741**	**3 749 360**
Operating Taxes	-52 497	-53 751	-57 293	-61 180	-65 435	-937 340
NOPLAT	**157 490**	**161 254**	**171 879**	**183 540**	**196 306**	**2 812 020**
Amortization and Depreciations	190 000	190 000	185 000	180 000	175 000	2 307 298
NWC Requirement	14 463	-2 830	-9 474	-11 533	-13 687	-189 812
Capex	-75 905	-64 519	-58 067	-52 261	-53 306	-739 237
Total Free Cash Flow to the Firm	**286 047**	**283 905**	**289 338**	**299 747**	**304 313**	**4 190 270**
Discounted FCF	**286 047**	**269 971**	**261 635**	**257 745**	**248 829**	**3 426 277**
Interest Paid	-120 498	-128 817	-127 904	-129 356	-130 663	-1 812 008
Interest Tax Shield	**-30 125**	**-32 204**	**-31 976**	**-32 339**	**32 666**	**453 002**
Discounted Interest Tax Shields	**-30 125**	**-30 624**	**-28 915**	**-27 808**	**26 710**	**370 408**
Discount Factor	1.00	0.95	0.90	0.86	0.82	0.82
Unlevered Value of Brisa	4 750 504					
PV of Interest Tax Shield	279 648					
Value of Net Debt	4 251 878					
Equity Value of Brisa	**778 274**					
# Shares	552 763 158					
Price per Share	**1.41 €**					

Appendix 4 - Brisa's Valuation using Comparables Multiples

	Abertis	SIAS	Atlantia	Average
Market Multiples				
Equity Value/EBITDA 2011	4.04	2.13	3.29	**3.15**
Brisa EBITDA (in 000 €)	461 340	461 340	461 340	**461 340**
Equity Value (in 000 €)	1 863 814	982 654	1 517 809	**1 454 759**
# Shares	552 763 158	552 763 158	552 763 158	**552 763 158**
Price per Share	3.37 €	1.78 €	2.75 €	**2.63 €**

Appendix 5 - Brisa's Valuation using Comparables Multiples with price of June 2012

	Price	Premium
Takeover Price per Share - June 2012	**2.76 €**	
Market Prices		
Average Price in the Three Months before the Announcement	2.44 €	12.89%
Average Price in the Six Months before the Announcement	2.45 €	12.72%
Market Multiples		
Average	2.63 €	4.87%
APV (β Brisa)	2.54 €	8.67%
APV (β Comparables)	1.41 €	96.03%
Analyst Target Price		
Average	2.71 €	2.02%
Median	2.54 €	8.66%

Appendix 6 - NWC Requirement

In 000 €	2011	2012	2013	2014	2015	2016
Operational Revenues	670 178	655 715	658 546	668 020	679 553	693 240
NWC	100 527	98 357	98 782	100 203	101 933	103 986
NWC Requirement		**14 463**	**-2 830**	**-9 474**	**-11 533**	**-13 687**

Appendix 7 - Cost of Capital

	Abertis	SIAS	Atlantia	Brisa (Comp. Ave)	Brisa
Levered β	0.94	0.77	0.83		0.73
Net Debt (in million euros)	17 792	19 277	2 945		4 252
Equity (in million euros)	9 904	1 306	7 849		1 299
# Shares					552 763 158
Price per Share					2.35
D/E	179.64%	1476.03%	37.52%		327.32%
Unlevered β	**0.40**	**0.06**	**0.65**	**0.37**	**0.21**
Cost of Capital	**5.38%**	**2.96%**	**7.15%**	**5.16%**	**4.03%**

Rf Rate	2.50%
Mark. Risk Prm Port.	7.20%
Corporate Tax Rate	25.00%